

SECURITIE



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FORM X-17A-5
PART III**

SEC FILE NUMBER

8-66432

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING 9/20/04 AND ENDING 12/31/05
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER - DEALER:

Banesto Securities, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

730 Fifth Avenue, 7th Floor

(No. and Street)

New York

(City)

NY

(State)

10019

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Juan Galan(212) 835-5482

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

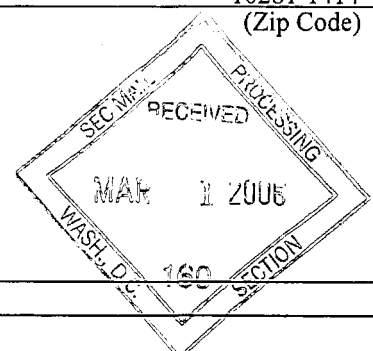
Deloitte & Touche LLP

(Name - if individual, state last, first, middle name)

Two World Financial Center
(Address)New York
(City)New York
(State)10281-1414
(Zip Code)**CHECK ONE:**☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

JUL 13 2006

THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

BANESTO SECURITIES, INC.

(An Indirect Wholly Owned Subsidiary of Banco Español de Crédito S.A.)

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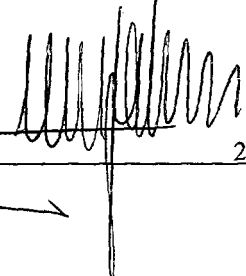
This report ** contains (check all applicable boxes):

- ☒ Independent Auditors' Report.
- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Operations
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors
- Notes to Financial Statements.
- ☒ (g) Computation of Net Capital Pursuant to Rule 15c3-1
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3 (not applicable).
- ☐ (j) A Reconciliation, including appropriate explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3 (not applicable).
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation (not applicable)
- ☒ (l) An Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report (not required).
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report on Internal Control).

*** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

AFFIRMATION

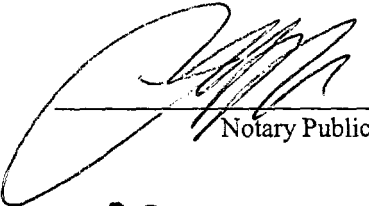
I, Juan Galan, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to Banesto Securities, Inc., for the year ended December 31, 2005 are true and correct. I further affirm that neither the Banesto Securities, Inc. nor any officer or director has any proprietary interest in any account classified solely as that of a customer.



Signature 2/28/06
Date

CEO/General Securities Principal
Title

Subscribed and sworn to before th~~th~~ day of February 2006



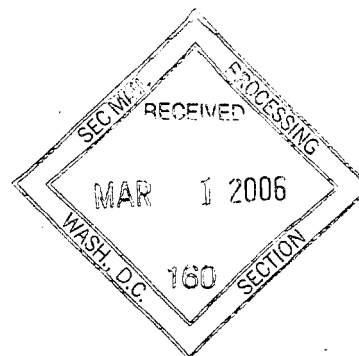
Notary Public



BANESTO SECURITIES INC.
(An Indirect Wholly Owned Subsidiary of Banco Español de Crédito S.A.)
S.E.C. #8-066432

STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2005
AND
INDEPENDENT AUDITORS' REPORT
AND
SUPPLEMENTAL REPORT ON INTERNAL CONTROL

* * * * *



Filed pursuant to Rule 17a-5(e)(3) under the
Securities Exchange Act of 1934 as a Public Document

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
Banesto Securities Inc.

We have audited the accompanying statement of financial condition of Banesto Securities Inc. (the "Company") as of December 31, 2005, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial condition presents fairly, in all material respects, the financial position of Banesto Securities Inc. as of December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

February 28, 2006



BANESTO SECURITIES INC.**(An Indirect Wholly Owned Subsidiary of Banco Español de Crédito S.A.)****STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2005**

ASSETS

Cash and cash equivalents	\$ 2,185,340
Receivable from clearing organizations	136,444
Securities owned, at fair value	144,625
Fixed assets—net of accumulated depreciation of \$19,286	33,694
Deferred tax asset	198,996
Other assets	<u>13,567</u>

TOTAL ASSETS **\$ 2,712,666**

LIABILITIES AND STOCKHOLDER'S EQUITY**LIABILITIES:**

Payable to affiliate	\$ 169,770
Securities sold, not yet purchased, at fair value	76,170
Accrued expenses and other liabilities	<u>7,237</u>

Total liabilities **253,177**

SUBORDINATED BORROWINGS **400,000**

STOCKHOLDER'S EQUITY:

Common stock (\$.01 par, 10,000 shares authorized, issued and outstanding)	100
Additional paid-in capital	2,299,900
Accumulated deficit	<u>(240,511)</u>

Total stockholder's equity **2,059,489**

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY **\$ 2,712,666**

See notes to statement of financial condition.

BANESTO SECURITIES INC.

(An Indirect Wholly Owned Subsidiary of Banco Español de Crédito S.A.)

NOTES TO THE STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2005

1. ORGANIZATION

Banesto Securities Inc., (the "Company"), incorporated on October 23, 2003, is wholly owned by Hualle S.A. which is a wholly owned subsidiary of Banco Español de Crédito S.A. (the "Parent"). The Company is registered as a broker dealer with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD") effective September 20, 2004. Given that the Company's registration with the SEC became effective on September 20, 2004 and the Company conducted no securities business before January 20, 2005, the Company, was granted an exemption from filing an audited annual report for the year ended December 31, 2004. Therefore, these financial statements cover the entire period from September 20, 2004 (SEC Registration Date) through December 31, 2005.

The Company's principal business activity is brokering foreign and domestic equity and fixed income securities. All securities transactions are cleared through an unaffiliated clearing broker on a fully-disclosed basis and, accordingly, the Company does not carry any customer accounts nor perform custody functions relating to its customers. The Company also undertakes trading as a riskless principal in facilitating its customers' transactions.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Company's financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates—In preparing the financial statements management makes estimates and assumptions that may affect the reported amounts. Such estimates include assumptions used in determining the fair value of financial instruments and certain amounts allocated among affiliates. Actual results could differ from these estimates.

Cash and Cash Equivalents—The Company defines cash and cash equivalents to be highly liquid investments with original maturities of 90 days or less. Substantially all cash is held at a major money center bank.

Custody and Commission Income—Custody fees, based upon a schedule of rates, are charged to clients for maintaining their portfolios at the clearing broker. Commission income arises from acting as agent when purchasing or selling securities for clients. Custody income is recorded on an accrual basis. Commission income is recorded on a trade date basis.

Securities Owned and Securities Sold, not yet Purchased—Security transactions are recorded on a trade date basis. Securities owned and securities sold short, not yet purchased, consist primarily of debt securities and are recorded at fair value. The fair values of the securities are generally based on observable market prices.

Income Taxes—The Company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*,

which requires that an asset and liability approach be applied in accounting for income taxes and that deferred tax assets and liabilities be reflected for temporary differences using tax rates expected to be in effect when such differences reverse. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized.

Fixed Assets—Fixed assets are carried at historical cost, less accumulated depreciation.

3. TRANSACTIONS WITH RELATED PARTIES

During the normal course of business, Banco Español de Crédito S.A., New York Branch (the “Branch”), provides services to the Company. The Branch and the Company have a service agreement for services that include providing personnel, premises, and operational support, etc.

The Company had a cash balance of \$135,340 with the Branch at December 31, 2005.

Payable to affiliate includes an allocation of shared expenses and payment of direct costs on behalf of the Company. At December 31, 2005, the payable to the Branch was \$169,770.

The Company also has subordinated borrowings totaling \$400,000, the details of which are in footnote 6.

4. SECURITIES OWNED AND SECURITIES SOLD, NOT YET PURCHASED

As of December 31, 2005, the Company has a security position in a foreign bond denominated in U.S. dollars of \$144,625.

As of December 31, 2005, the Company had sold, but not yet purchased a security position in a foreign bond denominated in U.S. Dollars of \$76,170.

5. RECEIVABLE FROM CLEARING ORGANIZATION

Receivable from clearing organization represents the balance, on deposit and other receivables, with the Company’s clearing broker totaling \$136,444.

6. SUBORDINATED BORROWINGS

At December 31, 2005, subordinated borrowings and credit committed under agreements by the Branch consisted of the following:

Face Value	Rate	Maturity Date
\$ 100,000	5.07%	March 31, 2008
<u>300,000</u>	4.87%	August 15, 2008
<u>\$ 400,000</u>		

These borrowings have been approved for regulatory capital purposes.

7. INCOME TAXES

As of December 31, 2005, the Company has deferred tax assets of \$198,996, which is a result of temporary differences primarily relating to amortization of start up costs, net operating loss carryforwards and accrued bonuses.

The Company has determined that it is more likely than not that the deferred tax asset will be realized and therefore there is no valuation allowance against the deferred tax asset.

8. OFF-BALANCE SHEET RISK AND CONCENTRATION OF CREDIT RISK

In the normal course of business, the Company's activities involve executions of various securities transactions as agent. These activities may expose the Company to risk in the event counterparties are unable to fulfill contractual obligations. The Company's counterparties include its customers and other brokers and dealers.

The Company may be exposed to a risk of loss not reflected in the statement of financial condition for securities sold, but not yet purchased should the value of such securities rise. Further, the Company is exposed to off-balance sheet risk of loss on unsettled transactions in the event customers are unable to fulfill contractual obligations.

The Company's customer securities activities are transacted only on a cash basis. The Company does not extend credit to its clients. If clients wish to borrow using their portfolios as collateral, the Company introduces them to the Branch, thereby allowing customers credit facilities through the Branch. In those cases in which a client wishes to borrow using his portfolio as collateral, the Company and the Branch have perfected a security arrangement under which the client's portfolio is collateralized to the Branch.

9. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1) ("the Rule") of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to the net capital, both as defined, shall not exceed 15 to 1. The Company has elected to use the basic method permitted by Rule 15c3-1, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$5,000 or 6 2/3% of aggregate indebtedness. At December 31, 2005, the Company has net capital of \$2,192,967, which is \$2,181,167 in excess of its required net capital of \$11,800.

The Company follows the guidance prescribed in a SEC No-Action Letter (the "Letter"), dated November 3, 1998, which allows introducing broker dealers to include assets in the proprietary account of an introducing broker dealer ("PAIB assets") as allowable assets in their net capital computations, providing the clearing broker dealer establishes a separate reserve account for PAIB assets in accordance with SEC Rule 15c3-3, and both the introducing broker dealer and the clearing broker dealer enter into a written agreement in accordance with the Letter.

10. COMMITMENTS AND CONTINGENCIES

Litigation—In the normal course of business, the Company may be subject to litigation. As of December 31, 2005, there were no pending legal actions against the Company.

Guarantees—In the ordinary course of business, the Company's clearing agreements might have a certain element of guarantee that meets the accounting definition of guarantee under FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. The Company performs securities execution on behalf of its clients for whom it commits to settle with the applicable clearinghouse or broker-dealer. The Company's liability under these arrangements is not quantifiable and could exceed any cash deposit made by a client. However, the potential for the Company to be required to make unreimbursed payments under these arrangements is remote due to the contractual requirements associated with clients' activity. Accordingly, no contingent liability is carried on the statement of financial condition for these transactions.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts which approximate fair value. Similarly, the Company's liabilities, such as payables, are recorded at amounts approximating fair value.

* * * * *

February 28, 2006

Banesto Securities Inc.
730 Fifth Avenue
New York, New York

In planning and performing our audit of the financial statements of Banesto Securities Inc. (the "Company") for the period September 20, 2004 (SEC registration date) through December 31, 2005 (on which we issued our report dated February 28, 2006), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3.15. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized acquisition, use, or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control and its operation, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe the Company's practices and procedures were adequate at December 31, 2005, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte Touche LLP